UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 4, 2022

Maximus, Inc.
(Exact name of registrant as specified in its charter)

Virginia	1-12997	54-1000588
(State or other jurisdiction of incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification No.)*
1600 Tysons Boulevard	McLean , VA	22102
(Address of principal executive offices)		*(Zip Code)*

Registrant's telephone number, including the area code (703) 251-8500

1891 Metro Center Drive, Reston, Virginia 20190
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	MMS	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On May 4, 2022, the Company issued a press release announcing its financial results for the quarter ended March 31, 2022. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

On May 5, 2022, the Company held a conference call with respect to these financial results. The conference call was open to the public. The transcript and slide presentation that accompanied the call are furnished as Exhibit 99.2 and Exhibit 99.3, respectively, to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. The following exhibits are being furnished pursuant to Item 2.02 above.

Exhibit No.	Description
99.1	Press release dated May 4, 2022
99.2	Conference call transcript for Earnings Call - May 5, 2022
99.3	Conference call slide presentation for Earnings Call - May 5, 2022

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	Maximus, Inc.
	(Registrant)
Date: May 9, 2022	/s/ David R. Francis
	David R. Francis
	General Counsel and Secretary

FOR IMMEDIATE RELEASE **CONTACT:** James Francis 703.251.8526
JamesBFrancis@maximus.com
Date: May 4, 2022 Madison West 703.251.8443
MadisonTWest@maximus.com

Maximus Reports Fiscal Year 2022 Second Quarter Results

- Ongoing Delays Represents Headwinds to Current Year While Strong Awards Drive Longer-Term Tailwinds -

(Tysons, Va. - May 4, 2022) - Maximus (NYSE: MMS), a leading provider of government services worldwide, reported financial results for the three and six months ended March 31, 2022.

Highlights for the second quarter of fiscal year 2022 include:

- Revenue increased 22.7% to $1.18 billion driven by expected contributions from the U.S. Federal Services Segment acquisitions and growth from startups ramping in the Outside the U.S. Segment.
- Operating margin was 6.4%, or 8.3% adjusting for amortization of intangible assets. Diluted earnings per share were $0.80, or $1.07 adjusting for amortization of intangible assets.
- The Company is revising earnings guidance for fiscal year 2022, primarily due to the ongoing Public Health Emergency (PHE) and other delays. Revenue guidance remains at $4.5 billion to $4.7 billion, while earnings per share are estimated to range between $3.00 and $3.50 per share, or $4.07 to $4.57 per share adjusting for amortization of intangible assets.
- Year-to-date signed contract awards at March 31, 2022, totaled $1.47 billion and contracts pending (awarded but unsigned) totaled $1.75 billion.
- A quarterly cash dividend of $0.28 per share payable on May 31, 2022, to shareholders of record on May 13, 2022.

"Results for the second quarter reflected our expectations for the business, which continues to face delays that we firmly believe to be temporary. As evidenced by strong bookings year-to-date, the business continues to be well positioned as these policy and COVID-related delays abate," shared Bruce Caswell, President and Chief Executive Officer. "Our new awards, virtually all of which are longer-term in nature, underscore our business model and prove the durability of Maximus and our ability to use strategic M&A to grow market share."

Second Quarter Results

Revenue for the second quarter of fiscal year 2022 increased 22.7% to $1.18 billion, compared to $959.3 million for the prior year period. The $218.0 million increase was principally driven by anticipated contributions from the U.S. Federal Services Segment acquisitions and the U.K. Restart Programme in the Outside the U.S. Segment. These increases were offset by expected declines in short-term COVID-19 response work. Organic revenue for the second quarter of fiscal 2022 remained relatively flat while adjusting for COVID-19 response work, normalized organic growth would be approximately 20% over the prior year period.

Earnings results in the second quarter of fiscal year 2022 reflected expectations for lower earnings caused primarily by delays in our core programs returning to pre-pandemic levels as the COVID-19 response work continues its predicted decline. Operating income totaled $75.3 million yielding an operating margin of 6.4%, or 8.3% adjusting for amortization of intangible assets. This compares to an operating margin of 11.8% for the prior year period, or 12.3% adjusting for amortization. Diluted earnings per share were $0.80, or $1.07 adjusting for amortization as compared to $1.29 per share, or $1.35 adjusting for amortization, for the prior year period.

U.S. Services Segment

The U.S. Services Segment reported revenue of $398.1 million for the second quarter of fiscal year 2022 compared to $448.2 million reported in the prior year period. The revenue decline was due to the expected reduction in short-term COVID-19 response work. Adjusting for this work, normalized organic growth in the segment would be approximately 25% driven by ramping of new work, including COVID-19 response work that has evolved into longer-term work with new customers gained during the pandemic.

Operating margin for the second quarter of fiscal year 2022 was 11.7% for the segment compared to 18.5% reported for the prior year period. Expected declines in profitable, short term COVID-19 response work while the redetermination activities tied to the PHE remain paused were responsible for the lower comparative margin.

U.S. Federal Services Segment

U.S. Federal Services Segment revenue for the second quarter of fiscal year 2022 increased 74% to $573.3 million, compared to $330.1 million reported for the prior year. Growth was driven by expected contributions from the acquisitions of Attain Federal, VES, and Aidvantage. Organic revenue in the segment for the second quarter of fiscal 2022 increased approximately 9%. Adjusting for COVID-19 response work, normalized organic growth in the segment would be approximately 13% over the prior year period.

The segment's operating margin for the second quarter of fiscal year 2022 was 8.1% as compared to 7.0% reported for the prior year period. Contributions from the Attain Federal and VES acquisitions improved margins in the segment but were tempered by impacts from the Aidvantage business. Costs tied to the transition from the prior provider were higher than anticipated and the continued delay in return to repayment resulted in reduced revenue and lower profitability in the quarter.

Outside the U.S. Segment

Outside the U.S. Segment revenue for the second quarter of fiscal year 2022 increased 13.8% to $206.0 million as compared to $180.9 million reported for the prior year. The primary driver of growth was ramping of the U.K. Restart Programme.

The segment's operating margin for the second quarter of fiscal year 2022 was 2.1%. The margin for the prior year period of 8.3% benefited from above average performance in Australia. Results for this quarter benefited from stronger than anticipated performance on the U.K. Restart Programme which achieved profitability ahead of schedule. This is tempered by future volume reductions on the largest employment services contract in Australia following a rebid process.

Sales and Pipeline

Year-to-date signed contract awards at March 31, 2022, totaled $1.47 billion and contracts pending (awarded but unsigned) totaled $1.75 billion. The awards are comprised of longer periods of performance that reflect solid, long-term drivers in the business.

The sales pipeline at March 31, 2022, was $29.8 billion (comprised of approximately $7.4 billion in proposals pending, $3.6 billion in proposals in preparation, and $18.8 billion in opportunities tracking). New work opportunities represent approximately 55% of the total sales pipeline.

Balance Sheet and Cash Flows

At March 31, 2022, cash and cash equivalents totaled $92.6 million and gross debt was $1.46 billion. The ratio of debt, net of allowed cash, to pro-forma EBITDA for the quarter ended March 31, 2022, as calculated in accordance with our credit agreement, was 2.4x.

For the second quarter of fiscal year 2022, cash flows were strong as anticipated. Cash from operating activities totaled $114.8 million, and free cash flow was $98.2 million.

As of March 31, 2022, Days Sales Outstanding (DSO) were 68 days and within the Company's typical range of 65 to 80 days.

Purchases of Maximus common stock totaled $24.5 million in the second quarter of fiscal year 2022.

On April 8, 2022, our Board of Directors declared a quarterly cash dividend of $0.28 for each share of our common stock outstanding. The dividend is payable on May 31, 2022, to shareholders of record on May 13, 2022.

Revised Earnings Guidance

The Company is maintaining revenue guidance for fiscal year 2022 with revenue expected to range between $4.5 billion and $4.7 billion. Earnings guidance is revised following further extensions of the ongoing PHE and other delays. Diluted earnings per share (DEPS) is expected to range between $3.00 and $3.50 per share, or between $4.07 and $4.57 per share adjusting for amortization of intangible assets.

The reduction to earnings guidance is comprised of three primary components. First, the PHE has been extended through mid-July, which is approximately $0.30 DEPS of estimated impact for the one-quarter delay. The Company has further lowered the bottom end of earnings guidance to allow for an additional PHE extension through mid-October, representing an additional $0.30 DEPS of estimated impact. Second, further delays on ramping of new work in the U.S. Services and Outside the U.S. segments reduced guidance by an estimated $0.20 DEPS. These delays are believed to be temporary and are partly attributable to ongoing COVID-19 disruptions. Third, the revised expectations for the Australia employment services rebid result in an estimated DEPS reduction of approximately $0.15; the impact is outsized in fiscal year 2022 compared to subsequent periods and includes severance charges in the third quarter.

For fiscal year 2022, cash flows from operations are expected to range between $225 million and $300 million, and free cash flow to range between $175 million and $250 million in fiscal year 2022. The effective income tax rate is expected to range between 24.5% and 25.5%, weighted average shares outstanding to range between 62.0 million and 62.2 million, absent significant share purchase activity, and interest expense to range between $40 million and $42 million for fiscal year 2022.

"While pandemic-related delays continue to constrain our fiscal 2022 earnings, I am encouraged by the potential of our business next fiscal year and beyond once the uncertainties of the pandemic are behind us. In the meantime, we continue to build momentum for the business," Caswell continued. "We believe the long-term macroeconomic drivers favor our business as we continue to be a valuable partner to government with growing capabilities. I look forward to sharing more, including our refreshed 3-to-5-year strategy for Maximus, on our Investor Day on May 24, 2022."

Conference Call and Webcast Information

Maximus will host a conference call tomorrow, May 5, 2022, at 9:00 a.m. (ET). Shareholders are invited to submit questions for management's consideration by emailing IR@maximus.com up to one hour prior to the call.

The call is open to the public and available by webcast or by phone at:

877.407.8289 (Domestic) / +1.201.689.8341 (International)

For those unable to listen to the live call, a recording of the webcast will be available on investor.maximus.com.

About Maximus

Since 1975, Maximus has operated under its founding mission of *Helping Government Serve the People®*, enabling citizens around the globe to successfully engage with their governments at all levels and across a variety of health and human services programs. Maximus delivers innovative business process management and technology solutions that contribute to improved outcomes for citizens and higher levels of productivity, accuracy, accountability, and efficiency of government-sponsored programs. With more than 38,000 employees worldwide, Maximus is a proud partner to government agencies in the United States, Australia, Canada, Italy, Saudi Arabia, Singapore, South Korea, Sweden, and the United Kingdom. For more information, visit maximus.com.

Non-GAAP Measures and Risk Factors

This release refers to non-GAAP measures and other indicators, including free cash flow, operating income and EPS adjusted for amortization of intangible assets and other non-GAAP measures.

A description of these non-GAAP measures, the reasons why we use and present them, and details as to how they are calculated are included in our forthcoming Form 10-Q.

The presentation of these non-GAAP numbers is not meant to be considered in isolation, nor as alternatives to cash flows from operations, revenue growth, or net income as measures of performance. These non-GAAP financial measures, as determined and presented by us, may not be comparable to related or similarly titled measures presented by other companies.

Statements that are not historical facts, including statements about the Company's confidence and strategies, and the Company's expectations about revenues, results of operations, profitability, future contracts, market opportunities, market demand, or acceptance of the Company's products are forward-looking statements that involve risks and uncertainties.

These risks could cause the Company's actual results to differ materially from those indicated by such forward-looking statements. A summary of risk factors can be found in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2021, which was filed with the Securities and Exchange Commission (SEC) on November 18, 2021. The Company's SEC reports are accessible on maximus.com.

Maximus, Inc.
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	(in thousands, except per share amounts)			
Revenue	$ 1,177,326	$ 959,280	$ 2,328,202	$ 1,904,834
Cost of revenue	948,875	728,622	1,871,596	1,468,121
Gross profit	228,451	230,658	456,606	436,713
Selling, general, and administrative expenses	130,307	112,402	254,528	224,369
Amortization of intangible assets	22,856	5,070	45,261	11,586
Operating income	75,288	113,186	156,817	200,758
Interest expense	(9,438)	(756)	(19,076)	(962)
Other income/(expense), net	715	(520)	404	(1,295)
Income before income taxes	66,565	111,910	138,145	198,501
Provision for income taxes	16,469	31,296	34,719	53,810
Net income	$ 50,096	$ 80,614	$ 103,426	$ 144,691
Earnings per share:				
Basic	$ 0.81	$ 1.30	$ 1.66	$ 2.33
Diluted	$ 0.80	$ 1.29	$ 1.66	$ 2.33
Weighted average shares outstanding:				
Basic	62,227	62,026	62,256	62,022
Diluted	62,381	62,294	62,409	62,212
Dividends declared per share	$ 0.28	$ 0.28	$ 0.56	$ 0.56

Maximus, Inc.
Consolidated Balance Sheets

	March 31, 2022	September 30, 2021
	(unaudited)	
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 92,638	$ 135,061
Accounts receivable, net	885,685	834,819
Income taxes receivable	14,757	5,413
Prepaid expenses and other current assets	97,420	104,201
Total current assets	1,090,500	1,079,494
Property and equipment, net	57,945	62,627
Capitalized software, net	42,877	42,868
Operating lease right-of-use assets	160,183	179,349
Goodwill	1,780,370	1,774,406
Intangible assets, net	851,564	879,168
Deferred contract costs, net	42,813	36,486
Deferred compensation plan assets	44,773	46,738
Deferred income taxes	2,635	990
Other assets	34,036	16,839
Total assets	$ 4,107,696	$ 4,118,965
Liabilities and Shareholders' Equity:		
Liabilities:		
Accounts payable and accrued liabilities	$ 302,912	$ 305,565
Accrued compensation and benefits	142,512	186,809
Deferred revenue, current portion	122,070	98,588
Income taxes payable	3,883	6,782
Long-term debt, current portion	59,911	80,555
Operating lease liabilities, current portion	70,731	76,077
Other current liabilities	51,247	35,057
Total current liabilities	753,266	789,433
Deferred revenue, non-current portion	30,429	35,932
Deferred income taxes	198,848	194,638
Long-term debt, non-current portion	1,387,386	1,429,137
Deferred compensation plan liabilities, non-current portion	44,923	47,405
Operating lease liabilities, non-current portion	106,670	121,771
Other liabilities	31,958	20,320
Total liabilities	2,553,480	2,638,636
Shareholders' equity:		
Common stock, no par value; 100,000 shares authorized; 61,610 and 61,954 shares issued and outstanding as of March 31, 2022 and September 30, 2021, respectively (shares in thousands)	550,228	532,411
Accumulated other comprehensive loss	(26,098)	(39,908)
Retained earnings	1,030,086	987,826
Total shareholders' equity	1,554,216	1,480,329
Total liabilities and shareholders' equity	$ 4,107,696	$ 4,118,965

Maximus, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	(in thousands)			
Cash flows from operating activities:				
Net income	$ 50,096	$ 80,614	$ 103,426	$ 144,691
Adjustments to reconcile net income to cash flows from operating activities:				
Depreciation and amortization of property, equipment and capitalized software	9,834	11,018	21,199	22,835
Amortization of intangible assets	22,856	5,070	45,261	11,586
Amortization of debt issuance costs and debt discount	648	—	1,297	—
Deferred income taxes	(3,089)	6,653	(3,318)	7,951
Stock compensation expense	6,804	7,417	15,052	13,479
Change in assets and liabilities, net of effects of business combinations				
Accounts receivable	(34,950)	62,408	(49,064)	70,217
Prepaid expenses and other current assets	14,884	3,181	9,769	8,074
Deferred contract costs	380	(8,979)	(6,431)	(9,184)
Accounts payable and accrued liabilities	29,405	1,196	(3,047)	12,395
Accrued compensation and benefits	28,024	18,921	(28,281)	(16,761)
Deferred revenue	12,544	7,539	18,473	13,296
Income taxes	(23,836)	(13,717)	(13,515)	3,230
Operating lease right-of-use assets and liabilities	5,077	4,513	(1,293)	(414)
Other assets and liabilities	(3,899)	(4,251)	2,331	(1,697)
Net cash provided by operating activities	114,778	181,583	111,859	279,698
Purchases of property and equipment and capitalized software	(16,571)	(14,490)	(22,898)	(23,584)
Acquisitions of businesses, net of cash acquired	(4)	(413,781)	(4)	(413,940)
Net cash used in investing activities	(16,575)	(428,271)	(22,902)	(437,524)
Cash flows from financing activities:				
Cash dividends paid to Maximus shareholders	(17,312)	(17,207)	(34,659)	(34,414)
Purchases of Maximus common stock	(24,464)	—	(25,843)	(3,363)
Tax withholding related to RSU vesting	—	—	(9,673)	(9,818)
Proceeds from borrowings	140,000	352,310	240,000	500,162
Principal payments for debt	(287,023)	(117,650)	(303,708)	(263,838)
Other	—	1	—	(2,762)
Net cash (used in)/provided by financing activities	(188,799)	217,454	(133,883)	185,967
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(48)	(619)	324	3,263
Net change in cash, cash equivalents, and restricted cash	(90,644)	(29,853)	(44,602)	31,404
Cash, cash equivalents and restricted cash, beginning of period	202,612	149,818	156,570	88,561
Cash, cash equivalents and restricted cash, end of period	$ 111,968	$ 119,965	$ 111,968	$ 119,965

Maximus, Inc.
Consolidated Results of Operations by Segment
(Unaudited)

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2022		March 31, 2021		March 31, 2022		March 31, 2021	
	Amount	% (1)	Amount	% (1)	Amount	% (1)	Amount	% (1)
	(dollars in thousands)							
Revenue:								
U.S. Services	$ 398,077		$ 448,215		$ 784,494		$ 833,149	
U.S. Federal Services	573,288		330,136		1,155,159		735,381	
Outside the U.S.	205,961		180,929		388,549		336,304	
Revenue	$ 1,177,326		$ 959,280		$ 2,328,202		$ 1,904,834	
Gross Profit:								
U.S. Services	$ 84,971	21.3 %	$ 119,440	26.6%	$ 174,670	22.3 %	$ 218,442	26.2%
U.S. Federal Services	115,153	20.1 %	74,133	22.5%	241,729	20.9 %	156,629	21.3%
Outside the U.S.	28,327	13.8 %	37,085	20.5%	40,207	10.3 %	61,642	18.3%
Gross Profit	$ 228,451	19.4 %	$ 230,658	24.0%	$ 456,606	19.6 %	$ 436,713	22.9%
Selling, general, and administrative expenses:								
U.S. Services	$ 38,273	9.6 %	$ 36,593	8.2%	$ 73,375	9.4 %	$ 74,049	8.9%
U.S. Federal Services	68,949	12.0 %	50,978	15.4%	133,874	11.6 %	103,230	14.0%
Outside the U.S.	24,011	11.7 %	22,013	12.2%	45,351	11.7 %	42,045	12.5%
Other (2)	(926)	NM	2,818	NM	1,928	NM	5,045	NM
Selling, general, and administrative expenses	$ 130,307	11.1 %	$ 112,402	11.7%	$ 254,528	10.9 %	$ 224,369	11.8%
Operating income/(loss):								
U.S. Services	$ 46,698	11.7 %	$ 82,847	18.5%	$ 101,295	12.9 %	$ 144,393	17.3%
U.S. Federal Services	46,204	8.1 %	23,155	7.0%	107,855	9.3 %	53,399	7.3%
Outside the U.S.	4,316	2.1 %	15,072	8.3%	(5,144)	(1.3) %	19,597	5.8%
Amortization of intangible assets	(22,856)	NM	(5,070)	NM	(45,261)	NM	(11,586)	NM
Other (2)	926	NM	(2,818)	NM	(1,928)	NM	(5,045)	NM
Operating income/(loss)	$ 75,288	6.4 %	$ 113,186	11.8%	$ 156,817	6.7 %	$ 200,758	10.5%

(1) Percentage of respective segment revenue. Percentages not considered meaningful are marked "NM."

(2) Other selling, general, and administrative expenses includes costs that are not allocated to a particular segment. This includes expenses incurred as part of our acquisitions, as well as potential acquisitions which have not been or may not be completed.

Maximus, Inc.
Consolidated Free Cash Flow - Non-GAAP
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	(in thousands)			
Net cash provided by operating activities	$ 114,778	$ 181,583	$ 111,859	$ 279,698
Purchases of property and equipment and capitalized software costs	(16,571)	(14,490)	(22,898)	(23,584)
Free cash flow (Non-GAAP)	$ 98,207	$ 167,093	$ 88,961	$ 256,114

Maximus, Inc.
Non-GAAP Adjusted Results Excluding Amortization of Intangible Assets
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	(dollars in thousands, except per share data)			
Operating income	$ 75,288	$ 113,186	$ 156,817	$ 200,758
Add back: Amortization of intangible assets	22,856	5,070	45,261	11,586
Adjusted operating income excluding amortization of intangible assets (Non-GAAP)	$ 98,144	$ 118,256	$ 202,078	$ 212,344
Adjusted operating income margin excluding amortization of intangible assets (Non-GAAP)	8.3 %	12.3 %	8.7 %	11.1 %
Net income	$ 50,096	$ 80,614	$ 103,426	$ 144,691
Add back: Amortization of intangible assets, net of tax	16,884	3,756	33,414	8,578
Adjusted net income excluding amortization of intangible assets (Non-GAAP)	$ 66,980	$ 84,370	$ 136,840	$ 153,269
Diluted earnings per share	$ 0.80	$ 1.29	$ 1.66	$ 2.33
Add back: Effect of amortization of intangible assets on diluted earnings per share	0.27	0.06	0.53	0.13
Adjusted diluted earnings per share excluding amortization of intangible assets (Non-GAAP)	$ 1.07	$ 1.35	$ 2.19	$ 2.46

Maximus Fiscal 2022 Second Quarter Earnings Call
May 5, 2022

Operator
Greetings and welcome to the Maximus Fiscal 2022 Second Quarter Earnings conference call. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host Madison West, Vice President of Investor Relations and ESG for Maximus. Thank you. Ms. West, you may begin.

Madison West
Good morning and thank you for joining us. With me today is Bruce Caswell, President and CEO, David Mutryn, CFO, and James Francis, Vice President of Investor Relations.

I would like to remind everyone that a number of statements being made today will be forward-looking in nature. Please remember that such statements are only predictions. Actual events and results may differ materially, including those discussed in item 1A of our most recent forms 10-Q and 10-K. We encourage you to review the information contained in our most recent filings with the SEC and our earnings press release.

The company does not assume any obligation to revise or update these forward-looking statements to reflect subsequent events or circumstances except as required by law. Today's presentation also contains non-GAAP financial information. Management uses this information in turn only to analyze results and believes it may be informative to investors in gauging the quality of our financial performance, identifying trends, and providing meaningful period to period comparisons. For a reconciliation of the non-GAAP measures presented, please see the company's most recent forms 10-Q and 10-K. And with that, I will hand the call over to David.

David Mutryn
Thanks, Madison. This morning Maximus reported revenue for the second quarter of fiscal year 2022, which increased 22.7% year-over-year to $1.18 billion. Growth on the top line was driven primarily by the acquisitions in the U.S. Federal Services Segment and the U.K. Restart Programme in the Outside the U.S. Segment.

Operating income margin for the quarter was 6.4%, or 8.3% excluding the expense for intangibles amortization. Diluted earnings per share were $0.80, or $1.07 excluding the amortization expense. Second-quarter earnings reflected our expectation for lower earnings caused primarily by delays in our core programs returning to pre-pandemic levels as the COVID response work continues its predicted decline. We also experienced some variability between segments, with U.S. Federal below expectation while Outside the U.S. exceeded our expectations for the quarter. Organic revenue growth was relatively flat in the quarter but adjusting for the COVID response work. Normalized organic growth would be approximately 20% year-over-year.

Let's turn to results for the segments. The U.S. Services Segment delivered revenue of $398.1 million for the quarter, which represents a decline over the prior-year period driven by expected reductions to short-term COVID response work. Normalizing for the COVID response work, revenue for the segment grew approximately 25%. This was all organic and driven by ramping of new work, some of which represents COVID response work that has evolved into longer-term work with new customers gained during the pandemic. The segment operating income margin was 11.7%, as compared to 18.5% in the prior-year period.

As expected, profitable short-term COVID response work has declined while Medicaid redeterminations remain paused, keeping our core work operating at depressed levels. In the prior-year period, strong COVID response work helped offset those negative impacts to our core programs.

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A quick update on Medicaid redeterminations. The most recent public health emergency, or PHE, extension occurred in mid-April and remains in effect for 90 days. This represents a one-quarter delay from our previous projection. I will speak more about this in the context of fiscal 2022 guidance.

For the U.S. Federal Services Segment, second-quarter fiscal 2022 revenue increased to $573.3 million, driven primarily by contributions from the Attain Federal, VES, and Aidvantage acquisitions. On an organic basis, revenue increased about 9% in the quarter, and if you adjust for the COVID response work, normalized organic growth in the segment would be about 13% over the prior-year period.

The operating income margin for U.S. Federal Services was 8.1% in the second quarter as compared to 7.0% in the prior-year period. While the Attain Federal and VES acquisitions are helping to blend up the segment's margin as expected, results for this quarter fell below our expectations due to impacts from our Aidvantage business.

First, we recognized higher costs this quarter related to the transition of the contract from the prior provider, some of which we had forecast in future periods. Second, the continued delay in the return to repayment, which was extended again to August 31, resulted in reduced revenue and lower profitability in the quarter.

Turning to the outside the U.S. segment, second-quarter revenue increased 13.8% to $206 million. Ramping of the U.K. Restart Programme was the primary contributor to growth in the segment. The segment delivered a profit of $4.3 million, or 2.1% margin, for the second quarter. This compares to $15.1 million, or 8.3%, in the prior-year period that was bolstered by above-average performance on job placement activities in Australia.

Results for this quarter exceeded our expectations due to strong performance on the U.K. Restart Programme, which delivered a positive profit one quarter ahead of schedule. This is tempered by lowered expectations for our largest employment services contract in Australia called jobactive, which is concluding its final two-year option period ending June of this year. The government recently announced awards for the rebid, and we have been awarded less marketshare than we anticipated on a successor contract.

We had expected reduced volumes as the Australian government continues to push digitization for easier to serve jobseekers meaning those individuals are serviced completely online by government, as well as their stated desire to bring in additional new providers in this reduced market, potentially making it more fragmented. However, the decline in our share of volumes exceeded our expectations.

Nevertheless, as we regularly note in our risk factors, changes in government policy, whether legislated or, as in this case, to reflect the priorities of the party in office, can result in our not being awarded contracts at the same level as in the past through the competitive bidding process. I will quantify the Australia effects in the fiscal 2022 guidance discussion, and Bruce will provide additional perspective in his remarks.

Let me touch on the balance sheet and cash flow items. As of March 31, 2022, we had gross debt of $1.46 billion, and we had unrestricted cash and cash equivalents of $93 million. The ratio of debt net of allowed cash to proforma EBITDA as calculated in accordance with our credit agreement is 2.4 times. Cash flow from operations were strong as expected totaling $115 million, and free cash flow was $98 million for the three months ended March 31.

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We repurchased approximately 330,000 shares totaling $24 million in the second quarter. We had good cash collections, and our DSO at March 31 was 68 days putting us at the lower end of our target range of 65 to 80 days.

Now I will turn to our revised fiscal 2022 guidance. We are maintaining our revenue guidance of $4.5 billion to $4.7 billion for the full fiscal year. We now expect diluted EPS of $3.00 to $3.50, or $4.07 to $4.57 on an adjusted basis which excludes intangible amortization expense. We are deliberately providing a wider range than we normally would at this point in the year. The revised earnings guidance equates to a $1 reduction on the low end and an $0.80 reduction on the high end.

The reductions are driven by three components. Number one is the PHE. I mentioned on the February earnings call that another delay to the PHE would likely risk us not making the guidance range we gave at that time. At that point, the PHE extension lasted through mid-April. Since then, another delay has occurred, meaning as of today, the PHE now lasts through mid-July. A rough order of magnitude for this one-quarter shift is a $0.30 reduction from guidance provided in February. However, given the politicized nature of the PHE and midterm election considerations, we felt it prudent to accommodate in our guidance the potential for an additional extension or extensions beyond mid-July, meaning redeterminations would remain paused through our fiscal 2022.

The estimated effect of the PHE extending beyond September 30 would be a roughly $0.60 reduction from our prior guidance. Given that if you only assess the variability tied to the PHE, no additional extensions would put us in the upper half of the new guidance range, while an additional extension would put us in the lower half. While the pause in redeterminations as a result of the PHE reduces our annual forecast and more extensions push that work to the right, every indication is that the volumes will return as states work through the backlog of nearly 87 million Medicaid and CHIP enrollees as of January 2022.

Number two is delays on ramping of new work in the U.S. Services and Outside the U.S. Segments, which equates to about $0.20 of the guidance reduction. The U.S. Services' new work is driven by fiscal year 2021 awards that were scheduled to start earlier in fiscal year 2022 but have been delayed by the customer and should begin in this third quarter. The delays in Outside the U.S. are mainly in employment services contracts in other geographies besides the U.K. and Australia, where volumes have been slower to increase in part due to COVID disruptions. For both segments, we believe these delays are temporary.

And number three is Australia. As I mentioned, we were disappointed with the reduction to workshare on the rebid. This has an outsized impact to fiscal year 2022 compared to subsequent periods. The new contract begins on July 1, so our fourth quarter will reflect the lower run rate. However, the accounting standards require us to recognize revenue based on anticipated future outcomes, so the lower volume means a reduction to Q3 revenue and profit as well. We also expect to incur severance charges of between $4 million and $5 million in the third quarter.

In total, these changes in Australia drove a reduction of about $0.15 to our guidance for fiscal year 2022. As with most of our contracts, we have a highly variable cost structure. That means, on a go-forward basis, we expect to reduce costs, operate the new contract profitably, and ultimately have a few cents less of diluted EPS on an annual basis.

Stepping back, while these three factors represent headwinds to fiscal 2022, they should not way down the potential of the business once the PHE lifts and the delays abate. Of course, as we look ahead, there remains uncertainty on the specific timing of these items outside of our control.

Our cash flow guidance is updated following the change to earnings, with cash flows from operations expected to range between $225 million and $300 million and free cash flow between $175 million and $250 million. We expect interest expense to run between $40 million and $42 million, the effective income tax rate between 24.5% and 25.5%, and weighted average shares absent additional share purchases to be between $62 million and $62.2 million.

Let me cover segment margin expectations. We anticipate U.S. Services to now be in the 9% to 11% range for the full year and notably expect a margin step down in the third quarter as short-term COVID response work further reduces too close to zero but before the redetermination activities resume. The U.S. Federal Services margin expectation remains unchanged at 10% to 11% for fiscal year 2022. For the Outside the U.S. Segment, we now expect a full fiscal 2022 to be slightly below breakeven, given the changes in the Australia business.

In closing, despite the short-term earnings headwinds, we expect a strong return in profitability once the delays abate. I am also pleased with the strong underlying organic revenue growth as well as the backlog we have built through a number of recent new work awards that Bruce will share. And with that, I will turn the call over to him.

Bruce Caswell
Thank you, David, and good morning everyone. I am thrilled that we are hosting today's earnings from our new headquarters in Tysons, Virginia. We created this environment intentionally to support a hybrid workforce maximizing flexibility and focusing on lots of collaboration space. We have shrunk our overall footprint in the Washington area while growing the company. We created a modern and attractive space that combines visual appeal, wellness, comfort, technology, and a little fun. As we continue to seek and retain the best talent in the area, I am certain our new home will be a differentiator.

Our second-quarter results were largely in line with our expectations, but our revised earnings guidance reflects how portions of our business are, in the near term, acutely tied to the current political environment and still, to a degree, to the ongoing uncertainty of the pandemic.

As David said, the public health emergency was extended another 90 days through July 15, which directly impacts the volumes on many of our state contracts. Based on current planning with our state clients, we estimate some engagement activity to pick up one month prior to the end of the PHE, or mid-June. However, our revised guidance considers both the administration's currently stated July 15 end date and a possible further 90-day extension of the PHE. In our view, given the lack of predictability we have previously experienced, we wanted investors to fully understand the potential impact of a further extension through the end of fiscal 2022.

While the timing of the PHE unwinding is outside of our control, we see certain signs supporting an unwinding and addressing the critical concern of states needing guidance. Specifically, CMS released additional, comprehensive guidance on March 3, providing important details on the unwinding process and several toolkits and resources for states throughout the spring.

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On March 21, CMS announced that they had executed a task order for national outreach efforts related to the unwinding. That they have moved forward with this work is a good sign. Some states have also engaged Maximus to assist with certain allowed pre-unwinding activities, including communications to beneficiaries to encourage updates to their contact information. All of that said, a significant national effort remains in front of us, and it is simply a matter of timing at this point.

I would like to further address the outcome in Australia. As David mentioned, we had anticipated caseload reductions to one of our employment services contracts in Australia due to further digitization through government-operated self-service; however, we were disappointed with the results, which left Maximus with a disproportionately large reduction in caseload volume in comparison to other providers. What is both noteworthy and unexpected is the degree to which the supplier base, including tenured and well-performing companies like ourselves, was turned over. It's also clear that past performance didn't play as significant a role in the process as we would typically expect for this type of work.

In short, it appears that the government very much intended to broaden the supplier base and severely limit market share. As one of the largest market participants, this rebalancing affected us the most. Despite the outcome, we remain one of the few large-scale providers in terms of caseloads and will continue to serve our customers and Australian job seekers to the highest standard.

Our success in operating a large portfolio with its growth and bias towards higher growth addressable markets gives us confidence in our ability to win business, grow organically, create value through capital investments and drive long-term shareholder value. We view events like Australia as a short-term consequence of the political environment in which we operate and quite distinct from the longer-term macro drivers that underpin the business. To underscore this point, I will note that despite short-term headwinds, year to date, we have generated strong contract awards for Maximus, of which a majority represents new work.

Recent awards include two awards with VES at a combined total contract value, or TCV, of $383 million. As you will recall from previous discussions of our VES acquisition, the Department of Veterans Affairs or the VA, through the Veterans Benefits Administration, administers the compensation and pension program for benefits to veterans, service members, their dependents, and their survivors.

I am proud to share that VES has been selected to perform medical disability exams for District 6, which includes exams as part of the discharge process, as well as fitness for duty exams, and continued service for District 7, which includes international locations. While both districts will be shared with other vendors, we expect the net result will be an increase to our overall revenue run rate. These are performance-based contracts with a six-month base period and six subsequent 12-month option periods.

These awards demonstrate our successful execution of strategic M&A to grow clinical market share. We are well-positioned to assist the VA in the event that legislation currently being considered in Congress expanding certain conditions under which veterans would presumptively qualify for benefits leads to further increases in medical disability exam volumes. A further longer-term strategic benefit of the VES combination is the in-market capabilities that we now have to address other federal government assessment programs in both civilian and defense agencies.

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I would also like to briefly report progress with our acquisition of Attain Federal, which recently celebrated its first anniversary as part of Maximus. Last month we announced that we were awarded the Department of Defense joint artificial center data readiness for artificial intelligence development services basic order agreement.

The DOD established this program to provide an easily accessible path to innovative commercial capabilities like ours to prepare data for use in AI applications and identify new use cases for AI across the DOD. This award reflects our acquired capabilities and experience integrating technologies to support the mission of the DOD and other federal departments and agencies. We will further demonstrate our ability to co-create innovative solutions with our clients and deliver next-generation mission-centered technology solutions through this program.

Maximus is a leader in delivering outcomes-focused solutions through customer-preferred channels on behalf of our government clients. For instance, our New York State of Health mobile application improves customer experience when providing verification documents and automates the mailroom process. The app has seen nearly 200,000 downloads, more than a quarter-million documents submitted, and has 4.6 stars on the Apple App Store and 4.7 stars on Google.

Besides being simple to use and fast, this small digital transformation serves a larger purpose of improving access and equity for Medicaid applicants. As hard as it is to believe, in 2022, many Medicaid programs still require paper copies of the supporting documents meaning beneficiaries must find printers and fax machines to apply. Removing barriers like these is critical as we contemplate the redetermination of eligibility for the 87 million Americans on Medicaid and CHIP as of January of this year.

A long-term differentiator for Maximus is our deep understanding of the complex intersections of government policy and consumer needs enabling us to transform how government and the public interact with one another. As we position ourselves for the future, we continue to enhance our delivery of business process solutions. For core program work in the U.S., we are expanding our footprint of services across new and existing markets and executed a prime contract subsequent to March 31 to provide eligibility operation support to the Indiana Family and Social Services Administration.

This contract has a four-year base period worth $425 million with the option for two one-year renewals. As a result, we expect revenue contribution in fiscal 2023. This award illustrates the durable strength of our brand as a partner to government. We are excited to expand our services to Hoosiers as we build on providing years of Medicaid enrollment services.

Finally, as David noted, we saw strong performance on the U.K. Restart Programme, which delivered a positive profit one quarter ahead of schedule. We anticipate continued strong performance on the contract for the remainder of fiscal 2022, driven by a buoyant labor market in the U.K.

I will now turn to new awards in pipeline as of March 31. For fiscal 2022 signed awards totaled $1.47 billion of TCV at March 31. Further, at March 31, there were $1.75 billion worth of contracts that had been awarded but not yet signed. As I noted, these are strong bookings for us at this point in the year, and virtually all are longer-term in nature.

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Let's turn our attention to our pipeline of addressable sales opportunities. Our total contract value pipeline at March 31 was $29.8 billion compared to $33.2 billion reported in the first quarter of fiscal 2022. The March 31 pipeline is comprised of approximately $7.4 billion in proposals pending, $3.6 billion in proposals in preparation, and $18.8 billion in opportunities tracking. Of our total pipeline of sales opportunities, 55% represents new work.

This is an exciting period of change for Maximus. In addition to our new collaborative headquarters space, we are on the cusp of rolling out a major brand refresh in advance of an update on our 3-5 year strategy, which will headline our upcoming Investor Day. As a preview, our brand refresh reflects our expanding ability to harness the promise of technology and data to drive insights making our services more customer-centric and impactful on our clients' mission. Stay tuned for updates about our brand refresh on our website and in social media.

We also invite you to join us for Investor Day on Tuesday, May 24, at 9 o'clock in the morning; learn more and register by visiting maximus.com/investorday. We welcome you to submit questions in advance for management's consideration. You may do so by emailing IR@maximus.com.

Although our updated current year outlook revises our prior expectations, it is largely driven by temporary headwinds that we expect to abate over the coming year. We continue to have strong new work awards and confidence that we are well-positioned for mid-single-digit organic growth and margin expansion going forward. The long-term macro drivers to our business are well intact, as is our durable role as a preeminent partner to governments.

Our growing capabilities, particularly in technologies that serve the dual purpose of driving efficiency in our operations and delivering modernized systems to our customers, create opportunity to build scale and expand our base. We look forward to discussing our future outlook in more detail at the May 24 Investor Day. And with that, we will open the line for Q&A. Operator?

Operator
At this time, we will be conducting a question and answer session. If you would like to ask a question, please press "*" "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*" "2" if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

I will now turn it over to Madison West and James Francis with Investor Relations.

James Francis
Hey, good morning. Charlie, are you on?

Charlie Strauzer
I am here. Can you hear me okay?

Bruce Caswell
Just fine, Charlie. Good morning. It's Bruce. How are you doing?

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Charlie Strauzer
Good morning, Bruce. How are you? Just a few questions for you this morning, if that is okay. First off, starting off with the guidance, you know, obviously maintaining revenue guidance was a little bit surprising given the magnitude of the reduction of the EPS line.

Can you talk a little bit more about the factors at play there? Is it, you know, mostly mix kind of thing that we should think about?

Bruce Caswell
Yes, absolutely. David is going to take that one, Charlie.

David Mutryn
Hi, Charlie. So all three items that I called out disproportionately affect our earnings, and while they all do create some revenue impact, it's not enough to move us out of the guidance range we gave previously, so just going through each one of them; first on the redeterminations, they happen to be very profitable on the margin since in many cases our existing staff can handle much of that volume.

And then in Australia, for the next two quarters, it is really the margin that dips since we see revenue falling off faster than cost there, and the severance charge has no revenue impact. And then the last item was the new work delays. They do have a modest revenue impact but, again, not enough to move us out of the range.

Charlie Strauzer
Got it. Understood. Thank you very much there. And then I know we are a little bit early to talk about '23, but if we could possibly have a little conversation about, you know, what kind of a normalized year would look like given all of the, you know, gyrations this year with the PHE getting pushed out, COVID work dropping off, and things like that maybe give us a sense for what kind of a normalized year might look like next year.

David Mutryn
Yes, good question. So as you know, the exact timing around the PHE unwinding remains to be seen, which makes predictions for the fiscal year '23 itself difficult to do but let me provide some data points that I think may be helpful.

So when the PHE expires and the delays abate, I would currently expect the following margin ranges, the operating income margin ranges for each segment; so for U.S. Services 11% to 14%, for U.S. Federal in the 10% to 12% range, and for Outside the U.S. 3% to 7%. So it is the midpoint of those ranges that would put the total company GAAP-aligned margin at around 9%.

And then for revenue, we target sustainable mid-single-digit organic growth; our recent new work awards have been strong; however, remember we have about $300 million of short-term COVID response work that is in the fiscal year '22 base. We are also monitoring the potential of some form of student loan forgiveness as that may have an impact on the top line. We do normally provide our formal guidance for the new fiscal year in November, and that is our current plan.

James Francis
Great. Anything else, Charlie?

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Charlie Strauzer
Sure. If we maybe could segue on the award side, you had a significant amount of signed awards and unsigned awards in the quarter maybe a little bit more color there, Bruce, on what type of work you have one there and also maybe an update on the rebid from the call center contract.

Bruce Caswell
Sure, Charlie, happy to do that. You know, it was really a very strong quarter for us in terms of signed and unsigned, and I mentioned one contract, in particular, that has signed subsequent to the quarter close, and that is our contract to provide central and regional change centers eligibility operations really for the state of Indiana.

To give you a little bit more color on that, this is right in our wheelhouse. This is eligibility determination services; we are the national leader in these services. We will provide them for Medicaid and SNAP and TANF beneficiaries.

Our tasks include things like that you are quite familiar with application processing, contact center operations, hearings and appeals, and so forth. We will operate ten regional change centers on behalf of the client and be co-resident in those centers with state employees, which is a model we are familiar with, and then one central change center. It is a four-year base contract worth $425 million and then two one-year renewals that are not included in that number.

Moving to the next one. We spoke--I spoke a little in my prepared remarks about the awards that we were pleased to receive in the VES business, and that is District 6, which is predischarge examinations and fitness for duty examinations at military bases. That is new work for us. We have not been on the District 6 contract historically. And in District 7, which is supporting these medical disability examinations in the international arena.

We think that together these will provide incremental revenue growth for that business next year, so we are thrilled that already with that combination with VES, we are seeing the benefits of organic growth, which we were hoping to see. The VA is really looking at this point to improve processing times for veterans and turnaround time on these medical disability examinations as the pandemic is abating and more veterans are being seen and so forth, so through these awards, they are building some capacity.

And it is also worth noting, as I mentioned briefly in my prepared remarks, that there are additional presumptive benefits being considered on the hill right now in legislation that relates to conditions, for example, like burn pits, and you are probably familiar that the President has taken this issue on personally and traveled recently to Texas to speak on the importance of providing veterans these benefits in the future. So there's good momentum for this legislation, and we think the VA, through its actions, is helping to prepare additional capacity for those volumes when they come into the system subsequently.

I will also note that in the quarter, we were thrilled to extend a contract that we had for a customer for a number of years for another three years, so our business model is to win our rebids and to have decades-long relationships and that kind of factored into those numbers as well so overall really excellent you know organic growth long-term in nature and really core to the business as we would have hoped. Hope that helps.

And I will give you a little bit more Charlie to bridge the status on the CCO contract. So that contract is still under re-procurement presently, and so we don't generally comment on a lot of the details there, but I will just say that the customer has continued to progress the process, and we have obviously been responsive to any request from the customer. We expect an award for that to be communicated probably later in the summer is the current thinking, and we, as I have said before, continue to just execute and provide high-quality service.

We felt that the open enrollment period this last time around went very well, and we are grateful that we have been able to, you know, continue to operate in a somewhat hybrid model, which has been, you know, beneficial for our employees and obviously has continued to enable us to deliver high-quality service. So no real news, new news, there, but we are just seeing the process continue as expected.

James Francis
Thank you, Charlie.

Charlie Strauzer
And then just one more follow-up, if I may. Just any other large rebids that we should know about coming up?

Bruce Caswell
So if we look down the road a little bit, Charlie, we have got current contract in the United Kingdom that is up for rebid presently. It is our health assessment advisory services or HAAS contract, and that is I think we may have spoken to this before.

It is being combined with assessments under the personal independence payment program, or PIP, program, and together those will form a new contract called the functional assessment service, or FAS, contract. What that really means is that those two types of assessments will be provided by a common provider on a regional basis, and so this is like an intermediate step to an ultimate endgame we believe that the U.K. client has in mind to actually combine the assessments into a single type of assessment that can serve the benefits of both programs, but this is an intermediate step in that regard.

So we are currently delivering under a two-year extension on the HAAS contract and that will take us through July 2023 as this current procurement continues to, you know, wind its way through the process and to award. We feel, you know, as the sole provider of the HAAS program presently that we are in a very good position as it relates to the FAS or functional assessment services procurement that is currently underway.

So those would really be the two--that one plus obviously the CCO one that we just previously discussed would be the two worth noting.

Charlie Strauzer
Great, thank you for taking my questions.

James Francis
Appreciate it, Charlie. Thank you. As a reminder going forward, shareholders may submit questions to management one hour prior to our earnings call by emailing IR@maximus.com. Bruce and David, we have two questions today. First, a shareholder has asked if you can quantify the impact of more delays on the Aidvantage business.

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David Mutryn
Sure. Yes, as I said, the Aidvantage program had higher transitioning costs and was also impacted by the extension of the forbearance in our second quarter, so these factors in the quarter combined were the major driver for the Federal segment falling below 10% operating margin. However, looking forward with the extension, we have been able to readjust the cost structure there to mitigate a material impact in the fiscal year.

James Francis
Thank you. A shareholder has also asked, and our second question is if $0.30 redetermination impact for one quarter translates to a $1.20 diluted EPS on a go-forward basis?

Bruce Caswell
David, why don't you take that, and I will add a little color at the end?

David Mutryn
Sure. So our current best estimate of the $0.30 comes from the fact that we have done enough planning with customers now to know how they will approach the unwinding and what specifically our role will be in that. So our current best estimate is that the impact would be roughly $0.30 per quarter or $0.10 per month out of the gate, although I do expect this may subside a little over time.

Bruce Caswell
So to provide a little more color as I did in my prepared remarks, you know, back in February, when we talked about the public health emergency unwinding, one of the main requests from the states that we have been spending time with was just to get more guidance on how this will happen and what the rules of the road will be if you will, and that has been provided; CMS provided some extensive guidance in March and continues to provide additional toolkits to states and as I mentioned has executed a task order for a nationwide communication plan or communication partner for this, so the groundwork is being laid, and in that period, the intervening period, we have been able to work very closely with our customers to get a sense of what the activities are that they will need us to undertake, and in fact, in some cases, we have already begun some of those activities that are allowed prior to the actual unwinding.

So reaching out to customers to you know validate and update their address information and other contact information so that when the time comes, and we expect some of this activity to begin prior to the unwinding, they will be able to start submitting updated information. And then, as I might also note, states have, once they begin the process, up to 14 months to complete their case actions, so while activities can begin as early as two months in advance and conclude after 14 months, that really gives you a 16-month window of activity.

I think it is likely, and we should expect that some of our larger state customers that have historically done redeterminations month by month so that they cover their entire caseload within a year will apply the same process here and spread the volumes out over the coming year, so we believe that this work will be likely more level loaded, maybe a bit more intense upfront for some of the states that want to move more quickly or in fact in some cases there is one state that has a legislative requirement to complete all of dis-enrollments within 90 days of the PHE ending so that may lead to an upfront level of work that then will taper down over time, but we do anticipate the type of work that will extend over a 12 month period in most cases for our large clients.

James Francis
Thank you, Bruce and David. This concludes the Q&A session. Operator, back to you.

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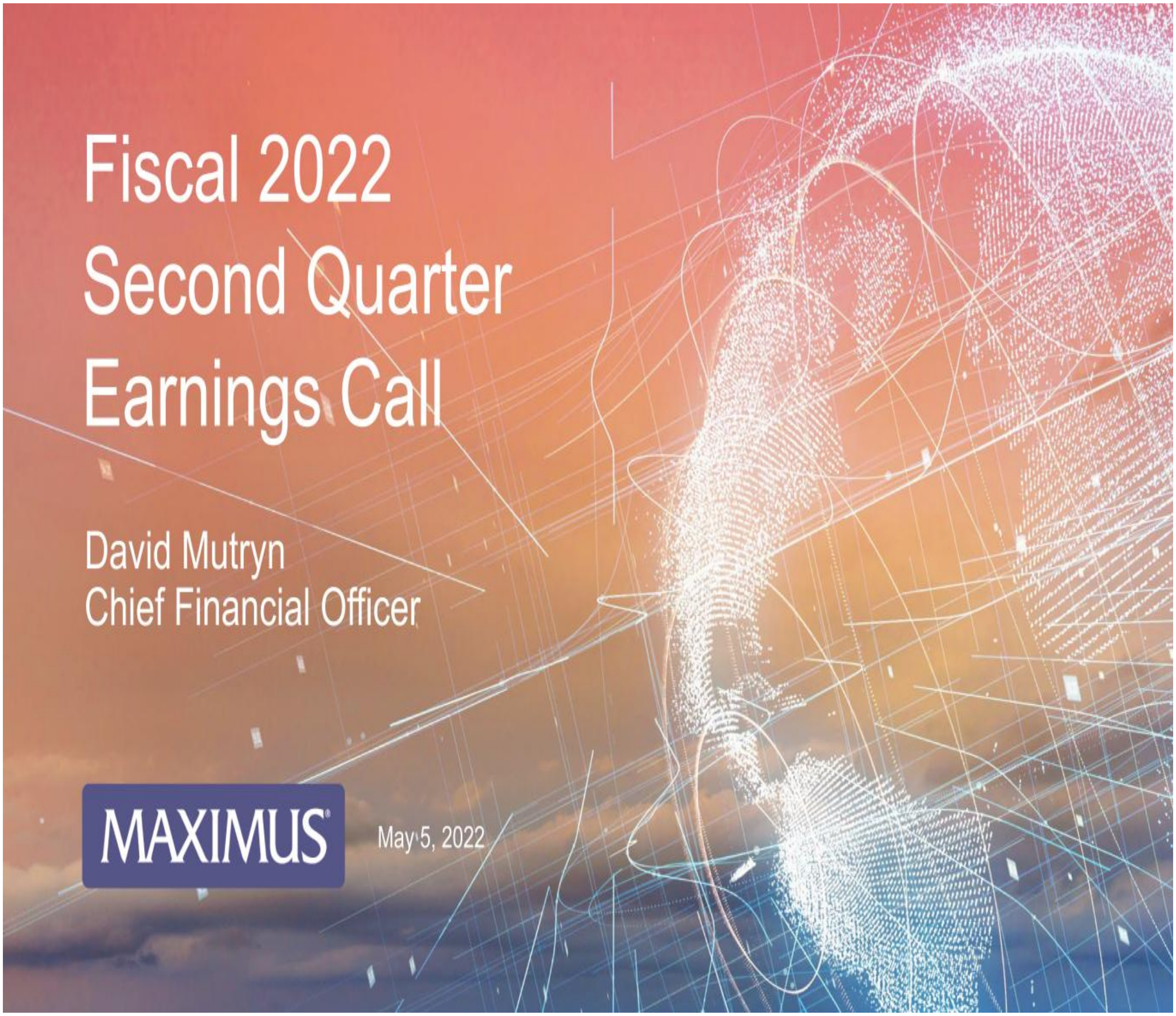
Operator
This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.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Chief Financial Officer
MAXIMUS
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Forward-looking Statements & Non-GAAP Information

These slides should be read in conjunction with the Company's most recent quarterly earnings press release, along with listening to or reading a transcript of the comments of Company management from our most recent quarterly earnings conference call.

This document may contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results, and providing meaningful period-to-period comparisons. These measures should be used in conjunction with, rather than instead of, their comparable GAAP measures. For a reconciliation of non-GAAP measures to the comparable GAAP measures presented in this document, see the Company's most recent quarterly earnings press release.

In this presentation, we use terms such as "normalized organic growth." We calculate this number by removing the effects of the U.S. Census contract, the estimated revenues from COVID-19 response work, the benefit from our acquisitions and the period-over-period currency effects from our revenue. We believe normalized organic growth allows our investors to understand the effect on our revenue and revenue growth of various key drivers whose effects will vary from year to year. It should be used to complement analysis of our revenue and revenue growth.

Included in this presentation are forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "opportunity," "could," "potential," "believe," "project," "estimate," "expect," "forecast," "strategy," "future," "likely," "may," "should," "will," and similar references to future periods.

Forward-looking statements that are not historical facts, including statements about our confidence, strategies and initiatives and our expectations about revenues, results of operations, profitability, liquidity, market demand or the impact of the pandemic are forward-looking statements that involve risks and uncertainties such as those related to the impact of the pandemic and our recently-completed acquisitions.

These risks could cause the Company's actual results to differ materially from those indicated by such forward-looking statements. A summary of risk factors can be found in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2021, which was filed with the Securities and Exchange Commission (SEC) on November 18, 2021.

Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Throughout this presentation, numbers may not add due to rounding.

Total Company Results – Second Quarter of FY22

($ in millions, except per share data)	Q2 FY22	Q2 FY21	% Change
Revenue			
U.S. Services	$ 398.1	$ 448.2	(11)%
U.S. Federal Services	573.3	330.1	74 %
Outside the U.S.	206.0	180.9	14 %
Total Revenue	**$ 1,177.3**	**$ 959.3**	23 %
Operating Income			
U.S. Services	$ 46.7	$ 82.8	(44)%
U.S. Federal Services	46.2	23.2	100 %
Outside the U.S.	4.3	15.1	(71)%
Segment Income	$ 97.2	$ 121.1	(20)%
Intangibles amortization	(22.9)	(5.1)	nm
Other	0.9	(2.8)	nm
Total Operating Income	**$ 75.3**	**$ 113.2**	(33)%
Operating Margin %	***6.4 %***	***11.8 %***	
Operating Margin %, excluding intangibles amortization	*8.3 %*	*12.3 %*	
Effective Tax Rate	*24.7 %*	*28.0 %*	
Net Income	$ 50.1	$ 80.6	(38)%
Diluted EPS	**$ 0.80**	**$ 1.29**	(38)%
Adjusted Diluted EPS, excluding intangibles amortization (Non-GAAP)	**$ 1.07**	**$ 1.35**	(21)%

- Revenue growth of 22.7% over the prior year period driven primarily by expected contributions from U.S. Federal Services segment acquisitions and the U.K. Restart Programme in Outside the U.S. Segment
- Bottom-line results reflected the Company's expectations for lower earnings caused by delays in core programs returning to pre-pandemic levels while COVID-19 response work declines as expected
- Organic revenue growth was relatively flat over the prior year period. Normalizing for the COVID-19 response work, organic growth would be approximately 20% over the prior year period (refer to Appendix slide)

U.S. Services Segment

Q2 FY22 Revenue

- Decline driven by expected reductions in COVID-19 response work. Adjusting for this work, normalized organic growth would be 25% in the segment

Q2 FY22 Operating Margin

- Margin of 11.7% reflects expected decline of profitable COVID-19 response work while Medicaid redeterminations remain paused which keeps core work at depressed levels.
- Medicaid redeterminations remain paused due to the most recent public health emergency (PHE) declaration extension which occurred mid-April and lasts 90 days through mid-July

($ in millions)	Q2 FY22	Q2 FY21	% Change
Revenue			
U.S. Services	$ 398.1	$ 448.2	(11)%
Operating Income			
U.S. Services	$ 46.7	$ 82.8	(44)%
Operating Margin %	*11.7 %*	*18.5 %*	

U.S. Federal Services Segment

Q2 FY22 Revenue

- Increased due to contributions from Attain Federal, VES, and Aidvantage acquisitions
- Organic revenue grew 9%. Adjusting for COVID-19 response work, normalized organic growth in the segment would be approximately 13%

Q2 FY22 Operating Margin

- Margin of 8.1% reflects acquisitions helping to blend up segment margins, offset by impacts from Aidvantage business due to higher transition costs and most recent delay in return to repayment, now through August 31

($ in millions)	Q2 FY22	Q2 FY21	% Change
Revenue			
U.S. Federal Services	$ 573.3	$ 330.1	74 %
Operating Income			
U.S. Federal Services	$ 46.2	$ 23.2	100 %
Operating Margin %	*8.1 %*	*7.0 %*	

Outside the U.S. Segment

Q2 FY22 Revenue

- Increase driven primarily by ramping of the U.K. Restart Programme

Q2 FY22 Operating Margin

- Positive margin exceeded expectations due to strong performance on the U.K. Restart Programme, which delivered positive profit one quarter ahead of schedule
- The Company has lowered expectations on the largest employment services contract in Australia following a rebid process

($ in millions)	Q2 FY22		Q2 FY21		% Change
Revenue					
Outside the U.S.	$	206.0	$	180.9	14 %
Operating Income/(Loss)					
Outside the U.S.	$	4.3	$	15.1	(71)%
Operating Margin %		*2.1 %*		*8.3 %*	

Balance Sheet and Cash Flows

Balance Sheet

- At March 31, 2022, $1.46B of gross debt and cash and cash equivalents of $93M
- Ratio of debt, net of allowed cash, to pro-forma EBITDA (calculated in accordance with credit agreement) results in 2.4x at March 31, 2022

Cash Flows

$ in millions		Q2 FY22
Cash provided by operations	**$**	**114.8**
Purchases of property and equipment and capitalized software costs		(16.6)
Free cash flow	**$**	**98.2**

- Q2 FY22 cash flow results were strong as expected
- The quarter included share purchases totaling approximately $24M

Days Sales Outstanding (DSO)

- DSO of 68 days at March 31, 2022, came in at lower end of 65 – 80 day target range

Revised Fiscal Year 2022 Earnings Guidance

Fiscal 2022 Guidance	Revised	Previous
Revenue	**$4.5B – $4.7B**	*(no change)*
Diluted EPS	**$3.00 – $3.50**	$4.00 – $4.30
Adjusted diluted EPS *(excludes intangibles amortization)*	**$4.07 – $4.57**	$5.07 – $5.37
Cash provided by operations	**$225M – $300M**	$275M – $325M
Free cash flow	**$175M – $250M**	$225M – $275M

- Earnings guidance change driven by ($ DEPS):
  - PHE current extension through mid-July ($0.30)
  - PHE possible extension through mid-October ($0.30)
  - New work delays ($0.20)
  - Australia rebid impact to current year ($0.15)
- These represent headwinds to FY22 but should not weigh down potential of the business once the PHE lifts and delays abate.
- Intangibles amortization expense projection is $90M, and interest expense forecasted range is $40M – $42M. Tax rate projection is 24.5% − 25.5% and WASO projection is 62M – 62.2M
- Anticipated ranges for segment income margins for FY2022
  - U.S. Services: 9% – 11%
  - U.S. Federal Services: 10% – 11%
  - Outside the U.S.: slightly below breakeven

Fiscal 2022 Second Quarter Earnings Call

Bruce Caswell
President & Chief Executive Officer

MAXIMUS

May 5, 2022

New Headquarters

- Joining you from our new Headquarters in Tysons, Virginia
- Reduced overall footprint in the Washington, D.C. area while growing the company
- Modern and attractive space, combining visual appeal, wellness, comfort, technology, and a little fun
- A differentiator in recruiting and retaining the best talent in the area

Guidance and Public Health Emergency

Revised Guidance

- Revised earnings guidance reflects how portions of our business are, in the near term, tied to current political climate and, still to a degree, the ongoing uncertainty of the pandemic
- PHE extended another 90 days, through July 15, impacting the volumes on many of our state contracts
- Revised guidance considers both July 15 end date and possible further 90-day extension
- Given lack of predictability, illustrates the potential impact of a further extension through end of FY22

Timing of the PHE Unwinding

- While largely outside of our control, seeing certain signs supporting an unwinding and addressing critical concerns of states
- CMS released additional, comprehensive guidance on March 3, providing important details on the process
- On March 21, CMS announced execution of a task order for national outreach efforts related to unwinding
- Certain states engaged Maximus to assist with certain allowed pre-unwinding activities, including communications to beneficiaries to encourage contact information updates
- Significant national effort remains in front of us; it is a matter of timing

Australia Caseload

- Anticipated caseload reductions to one of our employment services contracts in Australia due to further digitization through government-operated self-service
- Disappointed with results which left Maximus with a disproportionately large reduction in volume in comparison to other providers
- Noteworthy the degree to which the supplier base, including tenured and well-performing companies like ourselves, was turned over
- Clear that past performance did not play as significant a role in the process as we would typically expect
- As one of the largest market participants, this rebalancing affected us the most
- Despite the outcome, we remain one of the few large-scale providers in terms of caseloads and will continue to serve to the highest standard
- View events like this as short-term consequence of political environment in which we operate, distinct from the longer-term macro drivers that underpin the business

Success in our Recent Acquisitions

We are confident in our ability to win business, grow organically, create value through capital investments, and drive long-term shareholder value.

VES

- Two awards at a combined TCV of $383M
- Perform medical disability exams for District 6 & 7
- While both districts to be shared with other vendors, expect the net result to be an increase to our overall revenue run rate
- Performance-based contracts with a 6-month base period and 6 subsequent 12-month option periods
- Demonstrate successful execution of strategic M&A to grow clinical market share
- Well-positioned to support the VA and address other Federal government assessment programs

Attain Federal

- Awarded Department of Defense (DOD) Joint Artificial Intelligence Center (JAIC) Data Readiness for Artificial Development (DRAID) services Basic Order Agreement
- Provides an easily accessible path to innovate commercial capabilities, like ours, to prepare data for use in AI applications and identify new use cases across the DOD
- Reflects our acquired capabilities and experience integrating technologies to support mission-driven customers
- Demonstrates ability to co-create innovative solutions and deliver next-generation mission-centered technology solutions

Enacting Upon our Strategy

We continue to position ourselves for the future as a leader in delivering outcomes-focused solutions through customer-preferred channels.

Digitally Enabled

- New York State of Health mobile application improves customer experience
- Nearly 200K downloads
- More than 250K documents submitted
- 4.6 stars on Apple app store
- 4.7 stars on Google
- Small digital transformation serves larger purpose of improving access and equity for Medicaid applicants
- Long-term differentiator is our deep understanding of complex intersections of government policy and consumer needs, enabling us to transform how government and the public interact

Business Process Solutions

- Continue to enhance our delivery of business process solutions (BPS)
- Expanding our footprint of core program services across new and existing markets

Indiana

- Executed a prime contract, subsequent to March 31, to provide eligibility operations support to Indiana Family and Social Services Administration
- Four-year base period worth $425M, with option for two one-year renewals – expect revenue contribution in FY23
- Illustrates the durable strength of our brand
- Excited to expand our services to Hoosiers

U.K. Restart Programme

- Strong performance, delivering positive profit one quarter ahead of schedule
- Anticipate continued, strong performance for remainder of FY22, driving by a buoyant labor market in the U.K.

New Awards & Pipeline

New Awards (YTD)	March 31, 2022
Signed Contracts	**$1.47B**
Unsigned Contracts	**$1.75B**

Sales Pipeline	March 31, 2022	New Work %
Proposals Pending	$7.4B	
Proposals in Preparation	$3.6B	
Opportunities Tracking	$18.8B	
Total Pipeline	**$29.8B**	**55%**

Award Dynamics

- A majority of the $1.47M of YTD signed awards at March 31, 2022 is for new work and virtually all are longer-term in nature

Stay Tuned

- Exciting period of change for Maximus
- New collaborative headquarters, cusp of rolling out a major brand refresh, forthcoming update on our 3 – 5 year strategy
- Brand refresh reflects our expanding ability to harness the promise of technology and data to drive insights, making our services more customer-centric and impactful on our clients' mission
- Updated current year outlook largely driven by temporary headwinds expected to abate over the coming year
- Continue to have strong, new work awards and confidence we are well-positioned for mid-single-digit organic growth and margin expansion going forward
- Long-term macro drivers are well intact as well as our durable role as a preeminent partner to governments
- Our growing capabilities, particularly in technologies that drive efficiency in operations and deliver modernized systems to our customers, create opportunity to build scale and expand our base
- Join us for Investor Day on Tuesday, May 24 at 9:00 a.m. ET
  - Learn more and register: maximus.com/InvestorDay
- Submit questions in advance for management's consideration
  - Email IR@maximus.com

Appendix

Normalized Organic Growth for Q2 FY22 Results

		U.S. Services		U.S. Federal		Outside the U.S.		Total	
		$	%	$	%	$	%	$	%
	Revenue Bridge (see Form 10-Q)								
a	FY21 Q2 Revenue	448		330		181		959	
b	Organic Effect	(50)	*-11.2%*	29	*8.8%*	25	*13.9%*	4	*0.4%*
c	Acquired Growth	-	*0.0%*	214	*64.9%*	6	*3.5%*	220	*23.0%*
d	Currency Effect	-	*0.0%*	-	*0.0%*	(6)	*-3.6%*	(6)	*-0.7%*
e = a+b+c+d	**FY22 Q2 Revenue**	**398**	*-11.2%*	**573**	*73.7%*	**206**	*13.8%*	**1,177**	*22.7%*
	Normalized Organic Growth								
a	FY21 Q2 Revenue	448		330		181		959	
f	FY21 Q2 COVID Response Work	(175)		(52)		(11)		(238)	
g=a+f	**FY21 Q2 Normalized Revenue**	**273**		**278**		**170**		**721**	
h	FY22 Q2 Revenue	398		573		206		1,177	
i=+h	FY22 Q2 COVID Response Work	(56)		(46)		-		(102)	
j=h+i	**FY22 Q2 Normalized Revenue**	**342**		**527**		**206**		**1,075**	
k=f-i	Change in COVID Response Work	(119)		(6)		(11)		(136)	
b	Organic Effect (from above)	(50)		29		25		4	
l=k-b	**Normalized Organic Growth ($)**	**69**		**35**		**36**		**140**	
m=l/g	*Normalized Organic Growth (%)*	*25.2%*		*12.7%*		*21.3%*		*19.5%*	